

WEST DES MOINES WATER WORKS

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2011 and 2010

WEST DES MOINES WATER WORKS

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WEST DES MOINES WATER WORKS

OFFICIALS

December 31, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gwen A. Swanger.	Trustee.....	Dec 31, 2012
Brian P. Rickert.	Trustee.....	Dec 31, 2014
William B. Spencer.	Trustee.....	Dec 31, 2015
Philip J. Dorweiler.....	Trustee.....	Dec 31, 2016
Karen Novak Swalwell.	Trustee.....	Dec 31, 2017
Jerald W. Stevens.....	General Manager/Secretary.....	Indefinite
Paula R. Meyer.....	Accounting Manager/Treasurer.	Indefinite



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
West Des Moines Water Works

We have audited the accompanying basic financial statements, as listed in the table of contents of this report, of the West Des Moines Water Works, West Des Moines, Iowa, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of West Des Moines Water Works' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Des Moines Water Works, West Des Moines, Iowa, as of December 31, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2012 on our consideration of the West Des Moines Water Works' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, Schedule of Funding Progress for the Retiree Health Plan and budgetary comparison information on pages 6 through 10 and pages 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the aforementioned financial statements that collectively comprise West Des Moines Water Works' basic financial statements. Other supplementary information included on pages 43 through 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the aforementioned financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.

The accompanying statistical section on page 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Martens & Company, CPA, LLP

West Des Moines, Iowa
March 27, 2012

WEST DES MOINES WATER WORKS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2011

West Des Moines Water Works (Water Works) provides this management's discussion and analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2011. Please consider this information in conjunction with the financial statements and the accompanying notes to the basic financial statements that follow this section.

OVERVIEW OF BUSINESS

The service area of the Water Works has expanded significantly since its governing Board of Trustees was established by election in 1950. The service area is the corporate limits of West Des Moines. The Water Works also provides billing and collection services on a contractual basis to the City of West Des Moines for sanitary sewer usage, storm water management, and solid waste collection, and meter reading service to the City of Clive and the City of Waukee.

As the Water Works' service area has expanded, so too has the need for water storage facilities, booster stations and additional treatment capacity to meet peak demand requirements. The most economical approach for the Water Works has involved requiring the land developers to install the water mains according to Water Works Specifications after which the Water Works accepts ownership of the water facilities.

The water sources for the Water Works are three wells drilled into the Jordan Aquifer and nineteen wells that draw water from the Raccoon River Alluvial Aquifer. In addition, some West Des Moines water is purchased from the Des Moines Water Works.

Governance of the Water Works is vested in a five-member Board appointed by the Mayor of West Des Moines with approval of the City Council. Trustees serve for six-year staggered terms. The Board has complete control of the Water Works' management, and employs 37 full-time employees and one part-time seasonal employee.

FINANCIAL HIGHLIGHTS

West Des Moines Water Works' net assets increased as a result of operations. At December 31, 2011, total assets were \$77,948,843 and total liabilities were \$22,048,254 resulting in net assets of \$55,900,589.

Operating revenues increased 8.3% to \$10,877,914 while operating expenses increased 3.7% to \$9,381,640.

During the year, the Water Works had an operating income of \$1,496,274 and an increase in net assets of \$1,379,577.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

MD&A serves as an introduction to the financial statements, and the MD&A represents management's examination and analysis of West Des Moines Water Works' financial condition and performance. The financial statements report information about the utility using full accrual accounting methods as utilized by similar entities in the private sector.

The balance sheets provide information about the Water Works' assets, liabilities, and net assets, thereby measuring the utility's liquidity and solvency. Liquidity is a measure of the Water Works' ability to meet current obligations (those due within one year). Solvency is a similar concept, but measures the ongoing ability to meet obligations over a longer term.

The statement of revenues, expenses, and changes in net assets presents the results of the Water Works' revenues and expenses over the course of the year and provides information about the Water Works' recovery of costs. Water rates and other charges are established by the Board of Trustees and are based on Water Works' cost of service.

The statement of cash flows presents cash receipts, cash disbursements, and net changes in cash resulting from operations, capital and related financing activities, and investing activities. This statement details where cash resources come from and how they are used.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of data provided in the statements. The notes supplement the basic financial statements by presenting information about the Water Works' accounting policies, significant account balances and activities, material risks, obligations, and commitments.

In addition to the basic financial statements and accompanying notes, this report also provides certain *required supplementary information*, concerning the West Des Moines Water Works, including progress in funding its obligation to provide retiree healthcare and a budgetary comparison based on the West Des Moines Water Works' legal level of budgetary control.

FINANCIAL INFORMATION OF THE WEST DES MOINES WATER WORKS

The following financial information serves as the key financial data and indicators for management, monitoring, and planning.

Summary of Balance Sheets at Year End

	<u>2011</u>	<u>2010</u>
Current unrestricted assets	\$ 4,187,914	\$ 2,995,711
Current restricted assets	8,100,446	8,030,414
Capital assets, net	65,535,930	66,875,645
Other assets	124,553	151,242
Total assets	<u>\$ 77,948,843</u>	<u>\$ 78,053,012</u>

Current liabilities	\$ 5,955,660	\$ 5,552,792
Long term liabilities	14,033,642	16,014,096
Other liabilities	<u>2,058,952</u>	<u>1,965,112</u>
Total liabilities	<u>22,048,254</u>	<u>23,532,000</u>
Invested in capital assets, net of related debt	48,183,516	47,622,202
Restricted	4,226,065	4,502,473
Unrestricted	<u>3,491,008</u>	<u>2,396,337</u>
Total net assets	<u>55,900,589</u>	<u>54,521,012</u>
 Total liabilities and net assets	 <u>\$ 77,948,843</u>	 <u>\$ 78,053,012</u>

Summary of Changes in Net Assets for the Years Ended December 31,

	<u>2011</u>	<u>2010</u>
Water sales	\$ 9,266,231	\$ 8,315,045
Connection fees	310,558	372,700
Other sales and services	<u>1,301,125</u>	<u>1,355,420</u>
Total operating revenue	<u>10,877,914</u>	<u>10,043,165</u>
 Salaries and benefits	 3,609,492	 3,544,243
Chemicals and power	723,879	724,637
Purchased water	1,137,723	773,027
Insurance	125,651	120,810
Maintenance and supplies	485,207	543,822
Depreciation	2,676,179	2,671,384
Other	<u>623,509</u>	<u>671,004</u>
Total operating expenses	<u>9,381,640</u>	<u>9,048,927</u>
 Operating income	 <u>1,496,274</u>	 <u>994,238</u>
 Interest income	 54,439	 80,916
Rental income	141,995	133,110
Interest expense	(635,183)	(725,180)
Other, net	<u>(4,367)</u>	<u>(15,593)</u>
 Total non-operating revenues (expenses)	 <u>(443,116)</u>	 <u>(526,747)</u>
 Income before contributions	 1,053,158	 467,491
 Capital contributions	 <u>326,419</u>	 <u>138,749</u>
 Change in net assets	 <u>1,379,577</u>	 <u>606,240</u>
 Net assets, beginning of year	 <u>54,521,012</u>	 <u>53,914,772</u>
 Net assets, end of year	 <u>\$ 55,900,589</u>	 <u>\$ 54,521,012</u>

FINANCIAL ANALYSIS

Current assets (not restricted) increased 39.8% primarily due to an increase in cash. Higher than normal water sales due to the hot, dry weather contributed to this increase. Also, capital projects in 2011 were limited to new water mains in the southwest area, and planned water main replacements.

Current liabilities increased 7.3% primarily due to an increase in accounts payable to the City of West Des Moines for fees collected for and due to the City, and an increase in customer deposits.

Long-term liabilities decreased 12.4% due to the pay down of Water Works bonds.

Water sales increased 11.4% primarily due to dryer than normal weather and increased irrigation water sales. There was no rate increase in 2011.

Connection fees decreased 16.7% primarily due to the economic downturn and a reduction in construction permits issued.

Other sales and services decreased 4.0% primarily due to a decrease in EPA grant reimbursements in 2011.

Chemical and power expenses decreased 0.1%. Chemical cost increases were offset by a lower volume of water treated. In 2011 more water than normal was purchased from Des Moines Water Works due to an increase in irrigation by West Des Moines residents, and also due to testing the new Grand Avenue Pumping Station. This caused the volume of water treated to be lower than otherwise expected.

Purchased water expense increased 47.2% for several reasons, including a 20% rate increase, higher than normal irrigation water usage, due to the hot, dry summer and fall, and testing of the new Grand Avenue Pumping Station.

Cost of corporate insurance increased 4.0%.

Maintenance and supplies expense decreased 10.8% primarily due to a decrease in aerator maintenance expenses in 2011.

CAPITAL ASSETS

During 2011, net capital assets decreased 2.0%. Water main construction, replacement of unlined cast iron water mains, and other capital projects and purchases were offset by 2011 depreciation expense causing an overall reduction in net capital assets.

DEBT ADMINISTRATION

At December 31, 2011, the Water Works had \$15,509,857 in water revenue bonds outstanding, compared to \$17,541,297 at December 31, 2010 as shown below.

	Outstanding Debt at Year-End	
	2011	2010
Water revenue bonds	\$ 15,509,857	\$ 17,541,297

Debt decreased in the amount of \$2,031,440. Principal and interest payments on all outstanding debt were made as scheduled.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees approved an operating budget with a 3.5% expense increase for 2012. Revenue and expense estimates for 2012 are conservative as the economy continues to be sluggish. Effective January 1, 2012 water rates were adjusted to \$4.45 per 1,000 gallons. Water rates are designed only to cover the cost of water service to customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of West Des Moines Water Works' finances. If you have any questions or require additional information, please contact the General Manager at 4200 Mills Civic Parkway, Suite 1D, West Des Moines, IA 50265-2049.

FINANCIAL STATEMENTS

WEST DES MOINES WATER WORKS

BALANCE SHEETS

December 31, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 3,260,928	\$ 1,682,593
Investments	4,506	353,510
Accounts receivable	739,092	779,459
Inventory	86,181	83,098
Unexpired insurance	63,872	61,779
Unamortized bond discount	7,036	7,036
Unamortized bond issue costs	13,668	14,545
Accrued interest receivable	<u>12,631</u>	<u>13,691</u>
	<u>4,187,914</u>	<u>2,995,711</u>
RESTRICTED ASSETS		
Cash	3,331,158	2,609,926
Investments	3,007,394	3,404,854
Accounts receivable for City of West Des Moines	1,005,834	952,848
Accounts receivable	15,452	15,858
Deposit - water revenue bond fund	<u>740,608</u>	<u>1,046,928</u>
	<u>8,100,446</u>	<u>8,030,414</u>
 Total current assets	 <u>12,288,360</u>	 <u>11,026,125</u>
CAPITAL ASSETS		
Land	620,768	620,768
Buildings and structures	25,738,566	25,738,566
Machinery and equipment	9,947,952	9,909,887
Mains and hydrants - constructed by Water Works	23,267,218	22,305,983
Mains and hydrants - contributed by developers	22,125,215	21,798,796
Wells	4,495,373	4,495,373
Meters	2,495,207	2,388,198
Treatment plant capacity - Des Moines Water Works	10,619,125	10,619,125
Construction in progress	<u>32,712</u>	<u>129,775</u>
	99,342,136	98,006,471
Less accumulated depreciation	<u>(33,806,206)</u>	<u>(31,130,826)</u>
 Net capital assets	 <u>65,535,930</u>	 <u>66,875,645</u>
OTHER ASSETS		
Deposit - software consulting	4,463	5,189
Unamortized bond discount	47,807	54,843
Unamortized bond issue costs	<u>72,283</u>	<u>91,210</u>
 Total other assets	 <u>124,553</u>	 <u>151,242</u>
 Total Assets	 <u><u>\$ 77,948,843</u></u>	 <u><u>\$ 78,053,012</u></u>

See notes to financial statements.

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts payable	\$ 211,492	\$ 172,373
Accrued payroll	41,960	47,221
Accrued vacation	157,216	154,737
Accrued sick leave	54,651	36,790
Accrued sales tax	45,033	48,515
Deferred revenue	40,468	40,468
Bond premium	25,798	2,448
Accrued interest payable	27,122	29,558
Current portion of long-term debt	<u>1,642,062</u>	<u>1,645,358</u>
	<u>2,245,802</u>	<u>2,177,468</u>
 Payable from restricted assets:		
Customer deposits	333,074	221,985
Accounts payable	25,313	17,202
Payable to City of West Des Moines	3,051,471	2,836,137
Deposit - South Area fee district	<u>300,000</u>	<u>300,000</u>
	<u>3,709,858</u>	<u>3,375,324</u>
 Total current liabilities	<u>5,955,660</u>	<u>5,552,792</u>
 LONG-TERM LIABILITIES		
Revenue Bonds - net of current portion	13,867,795	15,895,939
Accrued sick leave	68,086	54,497
Other post employment benefits	<u>97,761</u>	<u>63,660</u>
Total long-term liabilities	<u>14,033,642</u>	<u>16,014,096</u>
 OTHER LIABILITIES		
Deposit - shared water tower	189,836	169,819
Deferred revenue	1,740,137	1,780,605
Bond premium	<u>128,979</u>	<u>14,688</u>
Total other liabilities	<u>2,058,952</u>	<u>1,965,112</u>
 Total liabilities	<u>22,048,254</u>	<u>23,532,000</u>
 NET ASSETS		
Invested in capital assets, net of related debt	48,183,516	47,622,202
Restricted for debt service	2,003,433	2,326,041
Restricted for capital improvements	2,222,632	2,176,432
Unrestricted	<u>3,491,008</u>	<u>2,396,337</u>
Total net assets	<u>55,900,589</u>	<u>54,521,012</u>
 Total Liabilities and Net Assets	<u>\$ 77,948,843</u>	<u>\$ 78,053,012</u>

WEST DES MOINES WATER WORKS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Sale of water	\$ 9,266,231	\$ 8,315,045
Basic service charge	817,719	803,048
Connection fees	310,558	372,700
EPA grant	13,076	83,902
Labor charges	19,630	19,684
Sanitary sewer service collection fees	47,451	46,571
Solid waste service collection fees	44,867	44,293
Stormwater service collection fees	67,217	65,871
Late and non-payment charges	90,864	95,343
Sale of materials	27,105	53,364
Meter reading fees	60,092	64,093
Shared water tower revenue	40,468	40,468
Miscellaneous	72,636	38,783
Total operating revenues	<u>10,877,914</u>	<u>10,043,165</u>
OPERATING EXPENSES		
Water treatment plant operation and maintenance		
Salaries	791,217	798,638
Retirement and employee benefits	232,676	263,823
Utilities	268,861	296,301
Chemicals	378,730	370,703
Purchased water	1,137,723	773,027
Maintenance	291,228	393,576
Lime residuals removal	114,574	129,300
Insurance	70,257	67,954
Supplies	21,881	28,377
Communications	9,682	10,114
Water quality testing fees	11,104	13,884
Miscellaneous	955	3,032
Operation permit	7,453	6,560
Safety consulting fees	1,116	1,270
Depreciation	1,289,658	1,305,428
Data processing	12,680	13,356
	<u>4,639,795</u>	<u>4,475,343</u>
Water distribution system operation and maintenance		
Salaries	843,151	821,611
Retirement and employee benefits	320,299	321,114
Maintenance	154,516	126,463
Utilities	75,315	52,432
Insurance	32,455	31,875
Supplies	35,686	24,064

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING EXPENSES - CONTINUED		
Water distribution system operation and maintenance - continued		
Miscellaneous	\$ 850	\$ 3,121
Iowa One Call	4,120	4,130
Communications	5,181	5,821
Depreciation	1,316,547	1,298,839
Data processing	<u>17,084</u>	<u>20,990</u>
	<u>2,805,204</u>	<u>2,710,460</u>
Accounting and customer service		
Salaries	753,190	726,570
Retirement and employee benefits	270,403	257,990
Postage	78,042	75,859
Printing	45,158	49,022
Insurance	22,939	20,981
Supplies	20,810	15,592
Communications	5,273	5,106
Maintenance	39,463	23,783
Bad debts	4,897	4,226
Lock box charges	44,292	45,855
Miscellaneous	4,469	5,698
Utilities	973	5,201
Depreciation	69,974	67,117
Cost of materials sold	24,616	37,905
Data processing	<u>25,149</u>	<u>30,982</u>
	<u>1,409,648</u>	<u>1,371,887</u>
Administration		
Salaries	245,532	244,459
Retirement and employee benefits	153,024	110,038
Professional and consulting fees	36,958	42,368
Legal publications	20,558	21,282
Dues and memberships	11,673	7,832
Communication	1,097	1,641
Miscellaneous	8,151	13,617
Economic development expense	<u>50,000</u>	<u>50,000</u>
	<u>526,993</u>	<u>491,237</u>
Total operating expenses	<u>9,381,640</u>	<u>9,048,927</u>
Operating income	1,496,274	994,238

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
NON-OPERATING REVENUES		
Interest	\$ 54,439	\$ 80,916
Bond premium	40,782	2,448
Rental	141,995	133,110
Gain on sale of fixed assets	<u>-</u>	<u>3,540</u>
Total non-operating revenues	237,216	220,014
NON-OPERATING EXPENSES		
Interest	635,183	725,180
Bond discount	7,036	7,036
Bond issue costs	<u>38,113</u>	<u>14,545</u>
Total non-operating expenses	<u>680,332</u>	<u>746,761</u>
Income before capital contributions	1,053,158	467,491
CAPITAL CONTRIBUTIONS	<u>326,419</u>	<u>138,749</u>
CHANGE IN NET ASSETS	1,379,577	606,240
NET ASSETS AT BEGINNING OF YEAR	<u>54,521,012</u>	<u>53,914,772</u>
NET ASSETS AT END OF YEAR	<u>\$ 55,900,589</u>	<u>\$ 54,521,012</u>

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF CASH FLOWS

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 10,862,618	\$ 10,284,057
Cash payments for goods and services	(3,648,561)	(3,608,019)
Cash payments to employees	<u>(2,635,872)</u>	<u>(2,551,987)</u>
Net cash provided by operating activities	<u>4,578,185</u>	<u>4,124,051</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(1,001,933)	(1,152,249)
Deposits - shared water tower	(20,450)	(20,195)
Deposit - South Area connection fee district	-	300,000
Principal paid on revenue bonds	(1,612,690)	(1,583,288)
2011 DMWW bond refunding - net	(418,750)	-
Bond issuance, discount and premium	160,111	-
Water revenue bond fund deposit	306,320	(2,672)
Interest paid	<u>(635,183)</u>	<u>(725,180)</u>
Net cash used by capital and financing activities	<u>(3,222,575)</u>	<u>(3,183,584)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	55,498	124,060
Certificate of deposits redeemed	600,000	-
Rental income	141,995	133,110
Certificate of deposits purchased	<u>-</u>	<u>(400,000)</u>
Net cash provided by investing activities	<u>797,493</u>	<u>(142,830)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,153,103	797,637
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>4,450,883</u>	<u>3,653,246</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 6,603,986</u>	<u>\$ 4,450,883</u>

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 1,496,274	\$ 994,238
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,676,179	2,671,384
Decrease (increase) in assets:		
Accounts receivable	(12,213)	241,556
Inventory	(3,083)	(664)
Unexpired insurance	(2,093)	(2,748)
Deposit - software consulting	726	(5,188)
Increase (decrease) in liabilities:		
Customer deposits	111,089	(3,903)
Accounts payable	252,017	116,295
Accrued payroll	(5,261)	14,752
Accrued vacation	2,479	24,539
Accrued sick leave	31,450	37,158
Other post employment benefits	34,101	33,429
Accrued sales tax	<u>(3,480)</u>	<u>3,203</u>
Total adjustments	<u>3,081,911</u>	<u>3,129,813</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,578,185</u>	<u>\$ 4,124,051</u>
Schedule of noncash capital and related financing - Contributions of water mains from contractors for construction, and equipment contributions.	\$ 326,419	\$ 138,749

See notes to financial statements.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The West Des Moines Water Works was established by the City of West Des Moines, Iowa to supply water to the City and its inhabitants. Since November 7, 1950, the Water Works has been under the management and control of a Board of Trustees and the accounts of the Water Works are maintained separately from those of the City of West Des Moines, Iowa. The Code of Iowa, Chapter 388, states that the Board of Trustees has the oversight responsibility for the management and control of the Water Works.

Water Works is exempt from federal income tax pursuant to Internal Revenue Code Section 115 which provides for exemption of divisions of state and local governments.

B. Fund Accounting

The accounts of the Water Works are organized on the basis of funds or groups of accounts. Each fund or group of accounts is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of accounts for cash and investment balances, receipts and disbursements. A description of each of the existing funds is set forth as follows:

Water Revenue Fund

The Water Revenue Fund is the general operating fund of the Water Works. This fund is used to account for the utility services which are financed and operated primarily from user charges to the general public.

Bond Retirement Fund

The Bond Retirement Fund is used to provide and account for principal and interest payments on the water revenue bonds issued.

Trust Fund

The Trust Fund has been established to account for deposits received from customers.

C. Cash

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid with maturities of three months or less are considered to be cash equivalents.

D. Investments

The cash balances of the Water Works are pooled and invested. Investments are stated at cost, which approximates market value. Interest is recorded in the fund owning the investment and transferred to the Water Revenue Fund. In order to obtain a high rate of return, some investments are pooled.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Accounts Receivable

Accounts receivable and revenues are recorded at the time that service is billed. Unbilled revenues for service consumed between periodic scheduled billing dates are not considered to have a material effect on the financial statements.

F. Inventories

Proprietary fund type inventories of materials and supplies are valued at the lower of cost (average cost) or market.

G. Capital Assets

Property, plant and equipment are stated at cost or at the value of the contributions to the Water Works for mains and hydrants by developers. Depreciation is computed on the straight-line basis over estimated useful lives of five to fifty years.

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments are capitalized.

The cost and related accumulated depreciation on property, plant and equipment sold or retired are eliminated from the accounts at the time of sale or retirement and the resulting gain or loss is reflected in operations.

H. Budget

In accordance with the Code of Iowa, the Water Works adopted a budget based upon anticipated expenditures by line item for operations. The budget was prepared on an accrual basis which is consistent with generally accepted accounting principles.

I. Sanitary Sewer, Solid Waste, and Stormwater Management Service

The West Des Moines Water Works bills and collects sanitary sewer service charges, solid waste charges, and stormwater management fees in accordance with the city ordinances for the City of West Des Moines, Iowa.

Sanitary sewage is collected in sewers owned by the City of West Des Moines, Iowa, and is treated at the Wastewater Reclamation Authority (WRA) sewage treatment plant. Remittances are due to the City within seventy-five days after the end of each billing period. The West Des Moines Water Works is reimbursed for a portion of the expense of billing and collecting the sanitary sewer service, solid waste charges, and stormwater management fees at rates agreed upon by the City of West Des Moines and West Des Moines Water Works.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Basis of Accounting

The Proprietary fund types are reported using the accrual basis of accounting. Their revenues are recognized when earned and expenses are recognized when incurred.

Operating revenues and expenses: Operating revenues include revenues resulting from the sale of water and related services. Operating expenses include expenses for water treatment, distribution, depreciation, customer accounts, customer service and informational, sales, administrative and general. Nonoperating revenues and expenses include those derived from capital and related financing activities, noncapital financing activities, and investing activities. Revenues from the sale of water are based on billing rates, which are applied to customer's consumption of water.

The Water Works applies all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedures. In addition, Water Works may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

K. Net Assets

Net assets represent the difference between assets and liabilities in the financial statements. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Water Works' policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 2 - CASH AND INVESTMENTS

The West Des Moines Water Works' deposits in financial institutions as of December 31, 2011 and through the year are covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C, Code of Iowa. This Chapter provides additional assessments against the depositories to ensure that there is no loss of public funds.

As of December 31, 2011, \$2,400,000 was invested in seven fourteen month certificates of deposit at Veridian Credit Union. The amount of this deposit in excess of \$250,000 was collateralized with a letter of credit held by the Water Works in the amount of 110% or \$2,365,000.

The West Des Moines Water Works' investments are categorized to give an indication of the level of risk assumed by the Water Works at year's end. The West Des Moines Water Works' investments are all category 1, which means that the investments are insured or registered or the securities are held by the West Des Moines Water Works or its agent in the name of the West Des Moines Water Works.

As of December 31, 2011 and 2010 all monies of the West Des Moines Water Works were invested in lawful depositories of the Water Works.

The West Des Moines Water Works' cash and cash equivalents at December 31, 2011 and 2010 are as follows:

<u>Cash and Cash Equivalents</u>	<u>2011</u>	<u>2010</u>
Cash	\$ 6,592,086	\$ 4,292,519
Iowa Public Agency Investment Trust	<u>11,900</u>	<u>158,364</u>
TOTAL	<u>\$ 6,603,986</u>	<u>\$ 4,450,883</u>

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the West Des Moines Water Work's investment policy, the Water Works minimizes the market value risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Information about the sensitivity of the fair values of the Water Work's investments to market interest risk fluctuations is provided by the following table that shows the distribution of the Water Work's investments:

<u>Investment Type</u>	<u>Fair Value</u>
Iowa Public Agency Investment Trust	\$ <u>11,900</u>

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The West Des Moines Water Works has no investments meeting the disclosure requirement of Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2011 was as follows:

	<u>Balance 1/01/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/11</u>
Capital assets not being depreciated:				
Land	\$ 620,768	\$ -	\$ -	\$ 620,768
Construction in progress	<u>129,775</u>	<u>235,779</u>	<u>(332,842)</u>	<u>32,712</u>
Total capital assets not being depreciated	<u>750,543</u>	<u>235,779</u>	<u>(332,842)</u>	<u>653,480</u>
Capital assets being depreciated:				
Buildings and structures	\$ 25,738,566	\$ -	\$ -	\$ 25,738,566
Machinery and equipment	9,909,887	38,864	(799)	9,947,952
Mains and hydrants	22,305,983	961,235	-	23,267,218
Mains and hydrants - developers	21,798,796	326,419	-	22,125,215
Wells	4,495,373	-	-	4,495,373
Meters in service	2,388,198	107,009	-	2,495,207
DMWW plant capacity 5.0 MG	5,000,000	-	-	5,000,000
DMWW plant capacity 1.323 MG	1,819,125	-	-	1,819,125
DMWW plant capacity 2 MG	<u>3,800,000</u>	<u>-</u>	<u>-</u>	<u>3,800,000</u>
Total capital assets being depreciated	<u>97,255,928</u>	<u>1,433,527</u>	<u>(799)</u>	<u>98,688,656</u>
Less accumulated depreciation for:				
Buildings and structures	7,179,713	480,578	-	7,660,291
Machinery and equipment	5,622,646	794,128	(799)	6,415,975
Mains and hydrants	5,533,351	454,103	-	5,987,454
Mains and hydrants - developers	7,026,686	436,928	-	7,463,614
Wells	2,022,151	124,100	-	2,146,251
Meters in service	1,075,009	120,864	-	1,195,873
DMWW plant capacity 5.0 MG	1,718,750	125,000	-	1,843,750
DMWW plant capacity 1.323 MG	477,520	45,478	-	522,998
DMWW plant capacity 2 MG	<u>475,000</u>	<u>95,000</u>	<u>-</u>	<u>570,000</u>
Total accumulated depreciation	<u>31,130,826</u>	<u>2,676,179</u>	<u>(799)</u>	<u>33,806,206</u>
Total capital assets being depreciated, net	<u>66,125,102</u>	<u>(1,242,652)</u>	<u>-</u>	<u>64,882,450</u>
Net capital assets	<u>\$ 66,875,645</u>	<u>\$ (1,006,873)</u>	<u>\$ (332,842)</u>	<u>\$ 65,535,930</u>

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 3 - CAPITAL ASSETS - CONTINUED

Capital assets activity for the year ended December 31, 2010 was as follows:

	<u>Balance 1/01/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/10</u>
Capital assets not being depreciated:				
Land	\$ 620,768	\$ -	\$ -	\$ 620,768
Construction in progress	<u>4,036,864</u>	<u>226,096</u>	<u>(4,133,185)</u>	<u>129,775</u>
Total capital assets not being depreciated	<u>4,657,632</u>	<u>226,096</u>	<u>(4,133,185)</u>	<u>750,543</u>
Capital assets being depreciated:				
Buildings and structures	\$ 22,207,749	\$ 3,544,226	\$ (13,409)	\$ 25,738,566
Machinery and equipment	9,798,453	186,367	(74,933)	9,909,887
Mains and hydrants	21,284,692	1,021,291	-	22,305,983
Mains and hydrants - developers	21,660,047	138,749	-	21,798,796
Wells	4,495,373	-	-	4,495,373
Meters in service	2,237,761	150,437	-	2,388,198
DMWW plant capacity 5.0 MG	5,000,000	-	-	5,000,000
DMWW plant capacity 1.323 MG	1,819,125	-	-	1,819,125
DMWW plant capacity 2 MG	<u>3,800,000</u>	<u>-</u>	<u>-</u>	<u>3,800,000</u>
Total capital assets being depreciated	<u>92,303,200</u>	<u>5,041,070</u>	<u>(88,342)</u>	<u>97,255,928</u>
Less accumulated depreciation for:				
Buildings and structures	6,685,006	494,707	-	7,179,713
Machinery and equipment	4,904,010	793,569	(74,933)	5,622,646
Mains and hydrants	5,096,683	436,668	-	5,533,351
Mains and hydrants - developers	6,594,571	432,115	-	7,026,686
Wells	1,888,953	133,198	-	2,022,151
Meters in service	959,360	115,649	-	1,075,009
DMWW plant capacity 5.0 MG	1,593,750	125,000	-	1,718,750
DMWW plant capacity 1.323 MG	432,042	45,478	-	477,520
DMWW plant capacity 2 MG	<u>380,000</u>	<u>95,000</u>	<u>-</u>	<u>475,000</u>
Total accumulated depreciation	<u>28,534,375</u>	<u>2,671,384</u>	<u>(74,933)</u>	<u>31,130,826</u>
Total capital assets being depreciated, net	<u>63,768,825</u>	<u>2,369,686</u>	<u>(13,409)</u>	<u>66,125,102</u>
Net capital assets	<u>\$68,426,457</u>	<u>\$ 2,595,782</u>	<u>\$(4,146,594)</u>	<u>\$ 66,875,645</u>

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 4 - LONG TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended December 31, 2011 is as follows:

	Balance 1/01/2011	Increases	Decreases	Balance 12/31/2011	Due Within One Year
Water Revenue Bonds	\$ 17,541,297	\$ 4,357,547	\$ (6,388,987)	\$ 15,509,857	\$ 1,642,062
Sick Pay Liability	91,287	31,450	-	122,737	54,651
Net OPEB Liability	63,660	34,101	-	97,761	-
Total	<u>\$ 17,696,244</u>	<u>\$ 4,423,098</u>	<u>\$ (6,388,987)</u>	<u>\$ 15,730,355</u>	<u>\$ 1,696,713</u>

A summary of the changes in long-term liabilities for the year ended December 31, 2010 is as follows:

	Balance 1/01/2010	Increases	Decreases	Balance 12/31/2010	Due Within One Year
Water Revenue Bonds	\$ 19,124,585	\$ -	\$ (1,583,288)	\$ 17,541,297	\$ 1,645,358
Sick Pay Liability	54,129	37,158	-	91,287	36,790
Net OPEB Liability	30,231	33,429	-	63,660	-
Total	<u>\$ 19,208,945</u>	<u>\$ 70,587</u>	<u>\$ (1,583,288)</u>	<u>\$ 17,696,244</u>	<u>\$ 1,682,148</u>

PURCHASE OF WATER TREATMENT PLANT CAPACITY:

- A. The West Des Moines Water Works entered into agreements with the Des Moines Water Works for the purchase of five million gallons per day, and 1.323 million gallons per day of water treatment plant capacity in two separate purchases. Per the Water Treatment Plant Purchased Capacity Master Agreement dated July 23, 1996, the West Des Moines Water Works' proportionate share of the Des Moines Water Works Bonds Series 1997 issued by the Des Moines Water Works were \$5,640,000 and \$1,819,125 respectively.

Series 1997 bonds have been replaced by the Refunding Water Revenue Bonds Series 2004B, which have now been replaced by the Refunding Water Revenue Bonds Series 2011. The interest rate on the 2011 bonds is a flat 3% from now through maturity.

- B. The West Des Moines Water Works entered into the Wholesale Water Service Master Agreement with the Des Moines Water Works on June 13, 2005, agreeing to purchase an additional two million gallons per day of water treatment plant capacity. West Des Moines Water Works' proportionate share in the Des Moines Water Works 2006 Water Revenue Bonds is \$4,105,000. The interest rates on the bonds vary from 4.000% to 4.375%.

PLANT AND DISTRIBUTION CAPITAL IMPROVEMENTS:

The Series 2004 Water Revenue Refunding Bonds were issued by the West Des Moines Water Works, under resolutions of the Board of Trustees of the Water Works. Series 1998A and 1998B were redeemed by the 2007 Water Revenue Refunding bonds on June 1, 2007. The following is a summary of the major provisions and restrictions of the resolutions.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Interest is payable on the first day of June and December.

Bonds and interest are payable from the future net earnings of the Water Works and the net earnings of the Water Works are pledged to the payment of the bonds and interest.

The required amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding Bonds and Parity Bonds plus 1/12th of the installment of principal coming due on such Bonds on the next succeeding principal payment date until the full amount of such installment is on hand. The balance at December 31, 2011 and 2010 is \$97,955 and \$97,892, respectively.

The Bond Resolution requires that the Debt Service Reserve Fund be maintained in an amount equal to at least the lesser of the maximum annual debt service on the Bonds and the Parity Bonds, or 10% of the stated principal amount of the Bonds and Parity Bonds. The balance at December 31, 2011 and 2010 is at the maximum of \$1,250,000 and \$1,250,000, respectively.

In the Future Capital Outlay Fund, the minimum amount to be deposited in the Fund each month shall be \$30,000; provided, however, that when the amount in said fund shall equal or exceed \$750,000, no further monthly deposits need be made into the Fund except to maintain it at such level. The balance at December 31, 2011 and 2010 is \$2,310,944 and \$2,294,440, respectively.

Changes in long-term water revenue bonds for the year ended December 31, 2011 are as follows:

	Balance 01-01-2011	Increases	Decreases	Balance 12-31-2011	Due Within One Year
Water Revenue Bonds					
Series 2004 Refunding	\$ 4,045,000	\$ -	\$ (605,000)	\$ 3,440,000	\$ 645,000
Series 2007 Refunding	5,240,000	-	(215,000)	5,025,000	205,000
Series 2004B (DMWW)	3,812,141	-	(3,812,141)	-	-
Series 2004B (DMWW)	964,156	-	(964,156)	-	-
Series 2011					
(DMWW 6.323 MG)	-	4,357,547	(155,000)	3,325,000	165,000
Series 2006					
(DMWW - 2MG)	<u>3,480,000</u>	<u>-</u>	<u>(637,690)</u>	<u>3,719,857</u>	<u>627,062</u>
Totals	<u>\$17,541,297</u>	<u>\$ 4,357,547</u>	<u>\$ (6,388,987)</u>	<u>\$15,509,857</u>	<u>\$1,642,062</u>

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Details of the revenue bonds payable at December 31, 2011 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2011
Series 2004 Refunding	04/01/04	3.6 - 3.9%	12/01/16	640,000-\$735,000	\$ 5,415,000	\$ 3,440,000
Series 2007 Refunding	04/01/07	3.75 - 4.0%	12/01/18	\$205,000-\$2,045,000	7,185,000	5,025,000
Series 2011 (DMWW)	02/23/11	3.0 - 3.0%	12/01/17	\$627,062-\$703,584	4,357,547	3,719,857
Series 2006 (DMWW)	03/01/06	4.0 - 4.38%	12/01/26	\$165,000-\$295,000	4,150,000	<u>3,325,000</u>
Total						<u>\$15,509,857</u>

A summary of the annual revenue bonds principal and interest requirements to maturity as of December 31, 2011 is as follows:

Year Ending Dec. 31,	Principal	Interest	Total
2012	\$ 1,642,062	\$ 574,420	\$ 2,216,482
2013	1,696,941	517,779	2,214,720
2014	1,768,197	459,172	2,227,369
2015	1,820,951	397,748	2,218,699
2016	1,883,584	333,588	2,217,172
2017-2021	5,358,122	671,763	6,029,885
2022-2026	<u>1,340,000</u>	<u>179,456</u>	<u>1,519,456</u>
Totals	<u>\$15,509,857</u>	<u>\$ 3,133,926</u>	<u>\$18,643,783</u>

Changes in long-term obligations for the year ended December 31, 2010 are as follows:

	Balance 01-01-2010	Increases	Decreases	Balance 12-31-2010	Due Within One Year
Water Revenue Bonds					
Series 2004 Refunding	\$ 4,655,000	\$ -	\$ (610,000)	\$ 4,045,000	\$ 605,000
Series 2007 Refunding	5,420,000	-	(180,000)	5,240,000	215,000
Series 2004B (DMWW)	4,339,737	-	(527,596)	3,812,141	553,459
Series 2004B (DMWW)	1,074,848	-	(110,692)	964,156	116,899
Series 2006 (DMWW - 2MG)	<u>3,635,000</u>	<u>-</u>	<u>(155,000)</u>	<u>3,480,000</u>	<u>155,000</u>
Totals	<u>\$19,124,585</u>	<u>\$ -</u>	<u>\$ (1,583,288)</u>	<u>\$17,541,297</u>	<u>\$1,645,358</u>

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Details of the revenue bonds payable at December 31, 2010 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2010
Series 2004 Refunding	04/01/04	3.5 - 3.9%	12/01/16	\$605,000-\$735,000	\$ 5,415,000	\$ 4,045,000
Series 2007 Refunding	04/01/07	3.75 - 4.0%	12/01/18	\$205,000-\$2,045,000	7,185,000	5,240,000
Series 2004B (DMWW)	12/01/04	3.0 - 4.0%	12/01/16	\$553,459-\$724,152	5,498,380	3,812,141
Series 2004B DMWW)	12/01/04	3.0 - 4.0%	12/01/17	\$116,899-\$160,348	1,550,719	964,156
Series 2006 (DMWW)	03/01/06	4.0 - 4.38%	12/01/26	\$155,000-\$295,000	4,150,000	<u>3,480,000</u>
Total						<u>\$17,541,297</u>

A summary of the annual revenue bonds principal and interest requirements to maturity as of December 31, 2010 is as follows:

Year Ending Dec. 31,	Principal	Interest	Total
2011	\$ 1,645,358	\$ 677,306	\$ 2,322,664
2012	1,722,600	621,755	2,344,355
2013	1,800,876	560,929	2,361,805
2014	1,893,290	491,745	2,385,035
2015	1,972,601	418,685	2,391,286
2016-2020	6,926,572	940,358	7,866,930
2021-2025	1,285,000	233,825	1,518,825
2026	<u>295,000</u>	<u>12,906</u>	<u>307,906</u>
Totals	<u>\$17,541,297</u>	<u>\$ 3,957,509</u>	<u>\$21,498,806</u>

NOTE 5 - RESTRICTED ASSETS

The West Des Moines Water Works' restricted assets are composed of customer deposits, deposits on bond issuance, funds restricted for capital improvements and collections for sanitary sewer service, solid waste service, stormwater management fees, and human services donations for the City of West Des Moines.

NOTE 6 - PENSION AND RETIREMENT BENEFIT

The Water Works contributes to the Iowa Public Employees Retirement System (IPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 6 - PENSION AND RETIREMENT BENEFIT - CONTINUED

Plan members are required to contribute a percentage of their annual salary and the Water Works is also required to contribute a percentage of the annual covered payroll to IPERS as established by State statute. Contribution requirements for employees for 2011 were 4.45% from January 1 through June 30 and 5.38% from July 1 through December 31. Contribution requirements for West Des Moines Water Works were 6.95% from January 1 through June 30 and 8.07% from July 1 through December 31. The Water Works' contributions to IPERS for the years ended December 31, 2011, 2010, and 2009 were \$193,853, \$172,666, and \$158,571, respectively, equal to the required contributions for each year.

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

The Water Works implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended December 31, 2009.

Plan Description: The Water Works sponsors a single-employer health care plan that provides certain postretirement health care benefits for retirees and their spouses. There are 37 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with insurance premiums paid to the City of West Des Moines who self insures to their selected stop loss limits and buys stop loss insurance from a third party. The plan was administered by the Principal Financial Group from January 1, 2010 to June 30, 2011 and by Core-Source, Inc. from July 1, 2011 to December 31, 2011.

Retirees under age 65 pay 102% of the premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy: The contribution requirements of plan members are established and may be amended by the Water Works. The Water Works currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation: The Water Works' annual OPEB cost is calculated based on the annual required contribution (ARC) of the Water Works, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Water Works' annual OPEB cost for the year ended December 31, 2011, 2010 and 2009, the amount actually contributed to the plan and changes in the Water Works' net OPEB obligation:

	2011	2010	2009
Annual Required Contribution (ARC)	\$ 36,876	\$ 34,859	\$ 30,231
Interest on net OPEB obligation	1,556	756	-
Adjustment to annual required contribution	(4,331)	(2,186)	-
Annual OPEB cost	<u>\$ 34,101</u>	<u>\$ 33,429</u>	<u>\$ 30,231</u>

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS - CONTINUED

	2011	2010	2009
Annual OPEB Cost	\$ 34,101	\$ 33,429	\$ 30,231
Contributions made	-	-	-
Increase in net OPEB obligation	34,101	33,429	30,231
Net OPEB obligation beginning of year	63,660	30,231	-
Net OPEB obligation end of year	<u>\$ 97,761</u>	<u>\$ 63,660</u>	<u>\$ 30,231</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as January 1, 2009. The end of the year Net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended December 31, 2011.

For the year ended December 31, 2011, the Water Works contributed \$-0- to the medical plan. Plan members eligible for benefits contributed \$-0- of the premium costs. No West Des Moines Water Works retirees are currently in the retirement benefit plan.

The Water Works's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of December 31, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$30,231	0%	\$30,231
December 31, 2010	\$33,429	0%	\$63,660
December 31, 2011	\$34,101	0%	\$97,761

Funded Status and Funding Progress: As of December 31, 2011, the most recent actuarial valuation date for the period January 1, 2009 through December 31, 2011, the actuarial accrued liability was \$344,878, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$280,829 at December 31, 2010, and \$344,878 at December 31, 2011. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,633,090, \$2,591,278 and \$2,405,812 and the ratio of the UAAL to covered payroll was 13.1% , 10.8% and 11.1% for 2011, 2010 and 2009, respectively. As of December 31, 2011 there were no trust fund assets.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the December 31, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the Water Works' funding policy. The health cost trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were developed by the actuary, as listed in Appendix B of the Actuary Report.

NOTE 8 - COMPENSATED ABSENCES

The West Des Moines Water Works' employees accumulate vacation benefits for subsequent use or payable on termination, death or retirement. These accumulations are recorded as liabilities and expenses in the year earned.

West Des Moines Water Works allows employees to accrue up to 720 hours of sick leave to be paid upon retirement. The employee must be at least 55 years of age before they can retire. Retirement prior to the age of 62 is based on the IPERS retirement rules. Sick leave payable is recorded as a liability when retirement is probable and subject to estimation. Accordingly, as of December 31, 2011 current liabilities of \$54,652 and long term liabilities of \$68,086 have been recorded for accrued sick leave.

NOTE 9 - DEFERRED COMPENSATION PLAN

West Des Moines Water Works offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Water Works full time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency and participation is optional. The plan was amended to comply with IRC Section 457(g) which allowed for the plan to hold the assets in trust. Under these requirements, the assets of the plan are not subject to the claims of the governmental employer's creditors. Accordingly, the liability and corresponding investment are not reflected in the Water Works' financial statements.

On January 1, 2011 West Des Moines Water Works became a participating employer in the State of Iowa Retirement Investors' Club (RIC) 457/401a Program. The State of Iowa administers this deferred compensation program, and currently has six deferred compensation providers to choose from. All of West Des Moines Water Works' full time employees are eligible to participate in this program.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS

On May 14, 2001 the Water Works approved the first amendment to intergovernmental agreement for the joint occupation of municipal offices (Chapter 28E of the Code of Iowa) with the City of West Des Moines for joint occupancy in a new City Hall facility. The West Des Moines Water Works' total cost is \$546,761, of which \$546,761 has been paid.

On May 14, 1993 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines and the Park Board of Commissioners of the West Des Moines Parks and Recreation Department. Under the agreement, they jointly developed a parcel of land (58 acres) owned by the City to provide recreation resources and water resources for residents. The Water Works constructed eight shallow wells and one deep well on the site. The Water Works has paid the City \$450,000 for the use of the land. This agreement is for ninety-nine years and expires on May 14, 2092.

On April 17, 2001 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) creating the Central Iowa Regional Drinking Water Commission Master Agreement. The purposes of this agreement are to (1) enable the Parties to jointly plan and coordinate implementation for water supply, treatment, distribution and storage facilities for the benefit of the Parties and their respective customers, to (2) enable the Parties to jointly provide services in a cost-effective manner to each other and to (3) enable the Parties to undertake joint or coordinated procurement of goods and services. The Commission is governed by a Board of Directors consisting of one representative of each of the Parties. On October 18, 2011 an amended and restated 28E Agreement with the Central Iowa Regional Drinking Water Commission (CIRDWC) was adopted. The changes include adding source water issues as a purpose of CIRDWC, distinguishing between Governing Members and Non-Governing Members, and establishing dues at a rate of \$100 plus one cent per Member retail account.

On February 27, 2002 the Water Works entered into an amended and substituted intergovernmental agreement (Chapter 28E of the Code of Iowa) for the purpose of (1) creating the Central Iowa Committee to succeed the Urban Standard Specifications Committee; (2) authorizing the Central Iowa Committee to temporarily license said urban design standards and urban standard specifications to the Center for Transportation Research and Education (CTRE) and to the Iowa Department of Transportation (Iowa DOT); (3) authorizing the Central Iowa Committee to assign said urban design standards and urban standard specifications to a statewide organization to be formed to oversee the continuing development and upgrading thereof; and (4) authorizing the City of Des Moines, as administrator, to assign to CTRE its consultant contract with Snyder and Associates for the provision of professional services. Under the agreement design standards will be developed and updated, and standard specifications for the construction of public improvements will be developed.

On November 20, 2003 the Water Works entered into an Agreement for Shared Use of Water Tower Capacity (this is not a 28E agreement) with the City of Clive, the City of Waukee and the Des Moines Water Works. On November 1, 2005 that water tower was put into service. The cities of Clive and Waukee pay 40% and 20% respectively, of the total project cost to West Des Moines Water Works for shared capacity of the water tower. The water tower is recorded at cost on West Des Moines Water Works' fixed asset schedule, and the payments made by Clive and Waukee are recorded as a deferred revenue liability to be recognized over the 50 year life of the water tower. This agreement will remain in effect through the useful life of the water tower plus one year. A shared water tower fund has been created into which Clive, Waukee and West Des Moines Water Works contribute annually for property insurance and future painting of the tower.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS - CONTINUED

On November 1, 2005 the Water Works entered into intergovernmental(Chapter 28E of the Code of Iowa) agreements for meter reading services with the City of Clive and the City of Waukee. West Des Moines Water Works will read water meters for Clive and water and gas meters for Waukee. The initial term of these agreements is three years from November 1, 2005. Addendum "A" to this agreement was signed in July 2008 establishing the meter reading rates for the subsequent three years. This addendum became effective November 1, 2008. Thereafter, the term of services shall automatically renew for successive three year terms on each November 1st unless either party shall give written notice of termination to the other.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines for the placement of radio antenna and related equipment on/in water towers in West Des Moines. The term of this agreement shall be for a period of ten years. The annual charge to the City for locating and operating transmitting and receiving equipment on a tower shall be one dollar per year payable in advance on the first business day of each year.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the code of Iowa) with the City of West Des Moines to provide the city with water at no cost to the City for city-owned public buildings, facilities and landscaped medians. Unless otherwise extended or amended by mutual written agreement of the parties, this Agreement will expire ten years from July 20, 2009.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines for the sharing of fiber optic and computer related technologies for the betterment for the services provided by the public by each entity. The purpose of the Agreement is for the City of West Des Moines to provide West Des Moines Water Works with internet connectivity and land-line phone services. Unless otherwise extended or amended by mutual written agreement of the parties, this Agreement will expire ten years from July 20, 2009. For the 2011-12 fiscal year of the City of West Des Moines, the Water Works paid the City a fee of \$12,000. Further adjustments to the fee may occur if annual maintenance agreements with third-parties change due to upgrades within the system. Notification of such an adjustment will be provided at least 30 days in advance of any fee adjustment and documentation of the change will be provided.

NOTE 11 - RELATED ORGANIZATION

The West Des Moines Water Works uses services of the City of West Des Moines and also provides billing and collection services to the City in connection with the City's Sewer, Solid Waste, and Stormwater Management Enterprise Funds. The following is a summary of the related party transactions for the year ended December 31, 2011 and 2010:

	Amount 2011	Amount 2010
Received from the City of West Des Moines		
Miscellaneous	\$ -	\$ 600
Iowa One Call	4,855	3,936
Sanitary sewer service collection fees	47,451	46,571
Solid waste service collection fees	44,867	44,294
Stormwater service collection fees	67,217	65,871

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 11 - RELATED ORGANIZATION - CONTINUED

	Amount 2011	Amount 2010
Payments to the City of West Des Moines		
Sanitary sewer service	\$7,289,285	\$6,707,065
Solid waste service	1,706,689	1,674,401
Sewer availability fee	648,873	556,814
City capital fee	31,883	27,812
Stormwater services	2,109,153	2,062,819
Premium yard waste fee	7,460	8,440
Health and dental insurance premiums	532,297	524,693
General insurance premiums	129,345	125,128
Gasoline	52,578	39,177
Utilities	8,289	12,771
Miscellaneous	6,039	23,711
Donations collected	6,239	6,712
Janitorial services	20,967	13,071
Information services	12,000	12,000
West Des Moines Magazine and City Survey	3,000	6,500
Economic development	50,000	50,000
Water mains	345,094	118,162
Amounts payable to the City of West Des Moines		
Sanitary sewer charges	\$1,923,265	\$1,724,910
Sewer availability fees	164,263	161,352
City capital fees	6,655	10,263
Stormwater management fees	524,203	517,411
Solid waste charges	431,930	421,443
Premium yard waste	380	180
Donations to Human Services	775	580

NOTE 12 - RISK MANAGEMENT

The Water Works, through the City of West Des Moines, is a member of the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 662 members include various governmental entities throughout the state of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 12 - RISK MANAGEMENT - CONTINUED

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Water Works' property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Water Works' contributions to the Pool for the year ended December 31, 2011 were \$34,953.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. West Des Moines Water Works' coverage is \$10,000,000. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Water Works does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at December 31, 2011, no liability has been recorded in the Water Works' financial statements. As of June 30, 2011 settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 12 - RISK MANAGEMENT - CONTINUED

The Water Works also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, and employee blanket bonds. The Water Works assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 - TOWER LEASE AGREEMENTS

The Water Works has entered into agreements with T-Mobile USA, Inc., United States Cellular Wireless Communications, Sprint/Nextel, Capital Communications Co. Inc.(WOI-TV), AT & T Wireless, Verizon Wireless and the City of Des Moines for the rental of space on two elevated water storage facilities located in the City of West Des Moines. The agreements are for a period of five years with renewal options of five additional five-year terms. The agreements with T-Mobile, U.S. Cellular, Sprint/Nextel, WOI-TV, and AT & T are all in their third, five-year contract. Verizon is in their second, five-year contract and the City of Des Moines is in their first, five-year contract.

Future minimum rents under these leases at December 31, 2011 are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$145,310
2013	152,102
2014	153,139
2015	156,429
2016	162,577

Total rental income for 2011 was \$141,567.

NOTE 14 - UNION AGREEMENT

The West Des Moines Water Works entered into an agreement as of January 1, 2011 with the American Federation of State, County and Municipal Employees Council 61 and Local 3673-15 (AFL-CIO). This agreement remained in full force and effect through December 31, 2011. This agreement covers the period from January 1, 2010 through December 31, 2012.

NOTE 15 - COMMITMENTS

The West Des Moines Water Works has entered into construction contracts totaling \$1,225,465 at December 31, 2011 and \$1,179,226 at December 31, 2010 for various capital projects. There were \$701,341 and \$943,143 of uncompleted contracts at December 31, 2011 and 2010 respectively.

On September 27, 2004 the U.S. Environmental Protection Agency (EPA) awarded the Water Works a grant for the operation of the Groundwater Remedial Action at the Railroad Avenue Superfund Site. Activities include the cleanup of contaminated groundwater and monitoring and administration of the aerators. The project period was from January 1, 2005 through December 31, 2011. The total project cost was \$299,630.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2011 and 2010

NOTE 16 - SUBSEQUENT EVENTS

The Water Works has evaluated all subsequent events through March 27, 2012, the date the financial statements were available.

NOTE 17 - RECLASSIFICATION

Certain reclassifications have been made to the prior period financial statements to make them comparable to the current period financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST DES MOINES WATER WORKS

BUDGETARY COMPARISON OF REVENUES, EXPENSES AND CHANGES IN BALANCES - ACTUAL TO BUDGET

Year ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
TOTAL REVENUES	\$ 11,441,549	\$ 11,058,626	\$ 382,923
TOTAL EXPENSES	<u>10,061,972</u>	<u>10,332,388</u>	<u>270,416</u>
NET	1,379,577	726,238	<u>\$ 653,339</u>
BALANCE BEGINNING OF YEAR	<u>54,521,012</u>	<u>54,974,782</u>	
BALANCE END OF YEAR	<u>\$ 55,900,589</u>	<u>\$ 55,701,020</u>	

See notes to financial statements.

WEST DES MOINES WATER WORKS

NOTE TO BUDGETARY REPORTING

December 31, 2011

In accordance with the Code of Iowa, the Water Works' Board of Trustees adopts a budget on the accrual basis consistent with U.S. generally accepted accounting principles following required public notice and hearing. The formal and legal level of control is at the total expense level. The Board of Trustees reviews the proposed budget and grants final approval. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

In 2011 there were no budget amendments and disbursements did not exceed the amount budgeted.

WEST DES MOINES WATER WORKS

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

Required Supplementary Information

December 31, 2011

Year End	Actuarial Valuation Date	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jan 1, 2009	0	\$268,112	\$268,112	0%	\$2,405,812	11.1%
2010	Jan 1, 2009	0	\$280,829	\$280,829	0%	\$2,591,278	10.8%
2011	Jan 1, 2011	0	\$344,878	\$344,878	0%	\$2,633,090	13.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2011

Series 2007 Water Revenue Refunding Bonds: Series 2007 Water Revenue Refunding Bonds were issued under Resolutions adopted by the Board of Trustees.

The Refunding Bonds were issued to refund all or a portion of the Water Works' outstanding Water Revenue Bonds Series 1998A and 1998B (the "Refunded Bonds"). The original date of issue was April 1, 2007.

The proceeds of the original Bonds were used to finance certain capital improvements to the System (the "Project") and to pay costs of issuing the Series 2007 Bonds. The Project included: (i) upgrades to the Water Works' water treatment plant and water storage facilities and (ii) construction of a new pumping station. The Refunding Bonds were issued to refund all or a portion of the Water Works' outstanding Water Revenue Bonds Series 1998A and 1998B (the "Refunded Bonds"). (See Note 4).

The following is a summary of the debt obligations of the West Des Moines Water Works:

<u>Maturing December 1</u>	<u>West Des Moines Water Works</u>	
	<u>Series 2007 Water Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 205,000	\$ 196,630
2013	245,000	188,942
2014	240,000	179,755
2015	225,000	170,755
2016	260,000	162,205
2017	1,805,000	152,195
2018	2,045,000	81,800
	<u>\$ 5,025,000</u>	<u>\$ 1,132,282</u>

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2011

Series 2004 Water Revenue Refunding Bonds: Series 2004 Water Revenue Refunding Bonds were issued under Resolutions adopted by the Board of Trustees.

The Refunding Bonds were issued to refund all or a portion of the Water Works' outstanding Water Revenue Bonds Series 1997 (the "Refunded Bonds"). The original date of issue was April 1, 2004.

The proceeds of the original Bonds were used to finance certain capital improvements to the System (the "Project") and to pay costs of issuing the Bonds. The Project included: (i) the construction and/or purchase of water supply and distribution facilities and the land for such facilities, (ii) the construction of additional water treatment capacity, (iii) the construction facilities for handling water treatment plant residues, (iv) improvements to the electrical distribution system of the water treatment plant, (v) improvements to the electronic control system of the Water Works and (vi) construction of new and replacement water mains (See Note 4).

The following is a summary of the debt obligations of the West Des Moines Water Works:

<u>Maturing December 1</u>	<u>West Des Moines Water Works</u>	
	<u>Series 2004 Water Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 645,000	\$ 128,832
2013	640,000	105,290
2014	690,000	81,930
2015	735,000	56,400
2016	730,000	28,470
	<u>\$ 3,440,000</u>	<u>\$ 400,922</u>

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES

Year ended December 31, 2011

Proportionate share of Series 2011 Water Revenue Refunding Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per Water Treatment Plant Purchased Capacity Master Agreement dated July 23, 1996 (See Note 4).

The following is a summary of the debt obligations to the Des Moines Water Works:

<u>Maturing December 1</u>	<u>Des Moines Water Works</u>	
	<u>Series 2011 Water Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 627,062	\$ 111,596
2013	641,941	92,784
2014	663,197	73,525
2015	675,951	53,630
2016	703,584	33,351
2017	408,122	12,243
	<u>\$ 3,719,857</u>	<u>\$ 377,129</u>

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2011

Proportionate share of Series 2006 Water Revenue Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per the Wholesale Water Service Master Agreement signed June 13, 2005 (See Note 4).

<u>Maturing December 1</u>	<u>Des Moines Water Works</u>	
	<u>Series 2006 Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 165,000	\$ 137,362
2013	170,000	130,763
2014	175,000	123,962
2015	185,000	116,963
2016	190,000	109,562
2017	200,000	101,963
2018	210,000	93,962
2019	220,000	85,563
2020	230,000	76,762
2021	240,000	67,275
2022	245,000	57,375
2023	255,000	47,269
2024	265,000	36,750
2025	280,000	25,156
2026	295,000	12,906
	<u>\$ 3,325,000</u>	<u>\$ 1,223,593</u>

STATISTICAL SECTION (UNAUDITED)

WEST DES MOINES WATER WORKS

SCHEDULE OF WATER USAGE BY MONTH

Year ended December 31, 2011

(UNAUDITED)

<u>Month</u>	<u>Accounts with Water Service</u>	<u>Dollar Amount of Water Billings</u>	<u>Gallons of Water Billed</u>	<u>Gallons of Water Pumped</u>
January	21,958	\$ 533,147	124,770,261	164,044,000
February	21,968	530,890	113,917,000	149,330,000
March	22,033	515,935	112,403,000	159,588,000
April	22,091	669,995	155,218,068	162,674,000
May	22,149	640,245	148,697,077	207,592,000
June	22,222	740,702	165,361,096	224,456,000
July	22,317	1,204,453	278,313,126	343,276,000
August	22,328	1,174,177	272,134,225	332,366,000
September	22,388	1,210,150	278,642,660	265,560,000
October	22,367	821,107	187,790,186	224,300,000
November	22,383	569,841	121,221,395	159,916,000
December	22,407	<u>655,589</u>	<u>152,221,006</u>	<u>158,986,000</u>
		\$ 9,266,231	2,110,689,100	2,552,088,000
ADD:				
Metered water for City (\$0.00)		-	17,339,000	-
Other non-billed water		<u>-</u>	<u>39,058,798</u>	<u>-</u>
Totals		<u><u>\$ 9,266,231</u></u>	<u><u>2,167,086,898</u></u>	<u><u>2,552,088,000</u></u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
West Des Moines Water Works

We have audited the basic financial statements of West Des Moines Water Works as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered West Des Moines Water Works' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Works' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the West Des Moines Water Work's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Des Moines Water Works' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the West Des Moines Water Works' operations for the year ended December 31, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water Works. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the West Des Moines Water Works and other parties to whom the West Des Moines Water Works may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the West Des Moines Water Works during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
March 27, 2012

WEST DES MOINES WATER WORKS

SCHEDULE OF FINDINGS

Year ended December 31, 2011

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (1) An unqualified opinion was issued on the financial statements.
- (2) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (3) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- (1) Certified Budget - Disbursements during the year ended December 31, 2011, did not exceed the amount budgeted.
- (2) Questionable Expenditures - We noted no expenditures that we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (3) Travel Expenses - No disbursements of West Des Moines Water Works' money for travel expenses of spouses of West Des Moines Water Works' officials or employees were noted.
- (4) Business Transactions - No business transactions between the West Des Moines Water Works and West Des Moines Water Works' officials or employees were noted.
- (5) Bond Coverage - Surety Bond coverage of West Des Moines Water Works' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure coverage is adequate for current operations.
- (6) Board of Trustees Minutes - No transactions were found that we believe should have been approved in the trustee minutes but were not.
- (7) Revenue Bonds - The Water Works has established the sinking and reserve accounts as required by the water revenue bond resolutions.
- (8) Deposits and Investments - The West Des Moines Water Works has adopted a written investment policy as required by Chapter 128.10B of the Code of Iowa.